

# What Is Capitalism?

**Capitalism** is the economic system in which the means of production and distribution are privately owned and operated for profit.

**Capitalism** is said to rely on the fundamental concepts of a market economy in order to succeed (Motivation for profits, private ownership, voluntary exchange, free enterprise)

## **Definition:**

an economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision, and by prices, production, and the distribution of goods that are determined mainly by competition in a free market

## Features of Capitalism

### MOTIVATION FOR PROFITS

*Entrepreneurs and other business people strive to make more money.*



### PRIVATE OWNERSHIP

*People have property in the form of real estate, securities, or personal items, and are free to buy, sell, or use it.*



### VOLUNTARY EXCHANGE

*Buyers and sellers are free to interact and make business transactions based on mutual need.*



### FREE ENTERPRISE

*People are free to choose how to spend their money, whom to work for, and what job to hold. Businesses choose what products to sell and what to charge for them.*



**Each of these elements is important to a capitalistic society:**

- ✚ Profit Motive
- ✚ Private Ownership
- ✚ Voluntary Exchange
- ✚ Free Enterprise

**In addition to these elements, a capitalist system needs AVAILABLE RESOURCES. Resources come in the following four types:**

- ✚ **Natural resources (Land):**
  - The raw elements needed to make a product.
- ✚ **Labor resources:**
  - The people needed to run a business
- ✚ **Capital resources:**
  - The equipment needed to run a business.
- ✚ **Entrepreneurial resources:**
  - The willingness to create and grow a business.